

**POLICIES AND PROCEDURES FOR REVIEWING, UPDATING
AND MAINTAINING THE STATE APPENDIX
ISSUED BY THE STATE TREASURER
DATED: JANUARY 12, 2009
AMENDED: NOVEMBER 1, 2010**

1.0 INTRODUCTION

When the State of New Jersey issues general obligation bonds, notes or other obligations or an independent authority issues bonds, notes or other obligations (collectively, the “Obligations”) which are paid by a contract or a lease whose payment is subject to annual appropriation by the New Jersey State Legislature (the “State Legislature”), a preliminary offering statement and a final offering statement are prepared. Each of these offering statements contains “Appendix I – Financial and Other Information Relating to the State of New Jersey” (the “State Appendix”). The State Appendix provides disclosure to buyers of the Obligations on financial and other information relating to the State.

In connection with each final offering statement, the State Treasurer provides a certification stating that the information contained in the State Appendix, as of the date of such offering statement, does not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the State Appendix, in light of the circumstances under which they were made, not misleading. The State Treasurer also includes in such certification a statement that there has been no material adverse change in the financial condition and affairs of the State from the date of the final offering statement to the date of issuance of the Obligations which was not disclosed in or contemplated by the final offering statement.

The State Treasurer has engaged disclosure counsel (“Disclosure Counsel”) to advise the State Treasurer with respect to disclosure obligations and requirements under the federal securities laws. Disclosure Counsel provides an opinion to the State Treasurer in connection with the use of the State Appendix in each issuance of Obligations.

In order for the State Treasurer to ensure compliance with the State’s disclosure obligations under federal securities laws and to provide such certification for future Obligations, the State Treasurer hereby adopts these policies and procedures for reviewing, updating and maintaining the State Appendix (collectively, the “Disclosure Policy”). The Office of Public Finance is hereby designated to implement the Disclosure Policy, except as specifically set forth herein. The State Treasurer may, from time to time, as may be necessary, review the Disclosure Policy and provide updates. By adopting this Disclosure Policy and by requiring staff to adhere to this Disclosure Policy, the State Treasurer hereby formalizes the appropriate due diligence procedures and documents to ensure compliance with the State’s disclosure obligations under federal

securities law and to provide the reasonable basis for the State Treasurer to provide the necessary certification.

2.0 KEY PARTICIPATANTS: DIVISION DIRECTORS, PRIMARIES AND THE GATEWAY COMMITTEE

2.1 Primaries. In order to ensure compliance with the Disclosure Policy, each of the below-named Divisions within the Department of the Treasury (“Treasury”) must identify one primary person (the “Primary”) to collect, review and coordinate information for the State Appendix. Division Directors and Primaries may designate one or more designees to act in their place. The Division Directors and Primaries are responsible for complying with the procedures set forth herein. The divisions/offices within Treasury which must identify a Primary are: the Office of Management and Budget (“OMB”), the Office of Public Finance (“OPF”), the Division of Taxation (“Taxation”), including the Office of Revenue and Economic Analysis (“OREA”) within Taxation, the Division of Revenue (“Revenue”), the Division of Pension and Benefits (“Pensions”), the Division of Lottery, the Division of Purchase and Property, the Division of Investment, the Division of Risk Management and the Office of Fiscal and Resources in the Division of Administration.

2.2 Gateway Committee. To further ensure compliance with the procedures set forth in this Disclosure Policy, the State Treasurer will appoint a “Gateway Committee” which will have general oversight of the entire disclosure process.

2.2.1 Composition of the Gateway Committee: The membership of the Gateway Committee shall consist, at a minimum, of the Director of OPF (who shall serve as the Chairperson of the Gateway Committee) and representative(s) from each of OMB, the Attorney General (“AG”) and Disclosure Counsel. The State Treasurer may, from time to time, change the composition of the Gateway Committee.

2.2.2 The Chairperson, or a designee, shall keep the minutes of any Gateway Committee meetings.

2.2.3 The duties of the Gateway Committee shall include:

- (i) maintaining appropriate records of compliance with the Disclosure Policy and decisions made with respect to issues which have been raised;
- (ii) periodically checking to determine that the Disclosure Policy is being followed;
- (iii) evaluating the effectiveness of the procedures contained in the Disclosure Policy and making recommendations to the State Treasurer as to whether revisions or modifications to the process are appropriate;

- (iv) review of all data and “significant” items referred to the Gateway Committee; and
- (v) serving as the final level of review of the State Appendix before the State Appendix is provided to the State Treasurer for review.

2.2.4 The Office of Public Finance will retain the records of the Gateway Committee meetings and actions.

3.0 REVIEW OF THE TRANSMITTAL LETTER AND MANAGEMENT’S DISCUSSION AND ANALYSIS CONTAINED WITHIN THE STATE’S COMPREHENSIVE ANNUAL FINANCIAL REPORT

Prior to the finalization and release of the Comprehensive Annual Financial Report of the State of New Jersey (“CAFR”) by OMB, the Division Directors, the Primaries, AG and Disclosure Counsel shall review a draft of the Transmittal Letter and Management’s Discussion and Analysis to be included in the CAFR. The CAFR is considered part of the State Appendix and is incorporated into the State Appendix through incorporation by reference to the State’s filing of the CAFR with the Municipal Securities Rulemaking Board.

In order to perform this review, the procedures shall be as follows:

- 3.1 The Division Directors and Primaries shall review a draft of the Transmittal Letter and Management’s Discussion and Analysis and coordinate any information proposed for inclusion in the Transmittal Letter and Management’s Discussion and Analysis.
- 3.2 The Primary should check and be responsible for all the information for his/her Division to be included in the Transmittal Letter and Management’s Discussion and Analysis.
- 3.3 Each Division Director must review and sign off in writing to OPF on all information that the Primary provides for the Transmittal Letter and Management’s Discussion and Analysis.
- 3.4 Each Division Director should consult with the appropriate members of his/her staff concerning pending or approved legislation, known and threatened litigation, proposed and actual actions of the federal government, (if applicable), and strategic and policy considerations. Any of such matters that members of the particular Division believes is “significant” should be reported to and reviewed by the Division Director. The Division Director shall refer those matters that he/she deems “significant” to the Gateway Committee.
- 3.5 AG and Disclosure Counsel should be provided with a draft copy, in substantially final form, of the Transmittal Letter and Management’s Discussion

and Analysis and be given the opportunity to review, ask questions and suggest revisions prior to OMB finalizing the Management's Discussion and Analysis for inclusion in the CAFR.

4.0 REGULAR UPDATES OF THE STATE APPENDIX: GOVERNOR'S BUDGET MESSAGE, ADOPTION OF ANNUAL APPROPRIATIONS ACT AND ISSUANCE OF THE CAFR

The information in the State Appendix will be updated, revised and reissued at regular time points during the course of a fiscal year. These regular time points are at the time of introduction of the Governor's Budget Message ("Budget") and upon adoption of the Annual Appropriations Act. If the CAFR is not released at the same time as either the Budget or the Annual Appropriations Act, then the State Appendix may also be updated to reflect the release of the CAFR.

In order to perform these regular updates, the procedures shall be as follows:

- 4.1 The Primaries shall collect, review and coordinate information for the State Appendix.
- 4.2 The Primaries shall check and be responsible for all the information to be included in the State Appendix.
- 4.3 Each Division Director shall review and sign off in writing to OPF on all information that the Primary provides for the State Appendix and shall also certify that these procedures were followed.
- 4.4 Each Division Director shall consult with the appropriate members of their staff concerning pending or approved legislation, known and threatened litigation, proposed and actual actions of the federal government (if applicable), and strategic and policy considerations. Any of such matters that the members of the particular Division believes is "significant" should be reported to and reviewed by the Division Director. The Division Director shall refer those matters that he/she deems "significant" to the Gateway Committee.
- 4.5 The AG will continue to conduct its established due diligence process to determine whether any additions, deletions or revisions need to be made to the section in the State Appendix entitled "Litigation."
- 4.6 A draft of the State Appendix will be compiled by OPF based upon all input received.
- 4.7 A draft of the State Appendix will be provided to each of the Division Directors, the Primaries, the AG, and Disclosure Counsel for review and comment.

- 4.8 The draft of the State Appendix reflecting comments from the Division Directors and the Primaries along with questions from the Division Directors and the Primaries shall be reviewed by OPF, AG and Disclosure Counsel to complete the update.
- 4.9 The Gateway Committee shall review all data and all “significant” items, and serve as the final level of review of the State Appendix before providing the State Appendix to the State Treasurer for his/her review.
- 4.10 Upon approval by the State Treasurer, the State Appendix may be used.
- 4.11 Any of the actions to be taken pursuant to this Section 4.0 may be taken by a person authorized to serve as a designee.

5.0 PERIODIC UPDATES - PUBLICATION OF A PRELIMINARY OFFERING STATEMENT, SIGNING A PURCHASE CONTRACT FOR OBLIGATIONS OR HOLDING OF A COMPETITIVE SALE FOR OBLIGATIONS AND PRECLOSING

While it is not anticipated that any changes will be required to be made to the State Appendix, other than at the times of the regular updates, it is necessary to have a procedure in place to make sure that there have been no material changes in the financial condition of the State which would warrant a supplement to the State Appendix. In order to determine whether there are any material changes which may require a supplement to the State Appendix, the following procedure will be followed in connection with periodic updates which occur upon: publication of a preliminary offering statement; signing of a purchase contract or holding a competitive sale; and preclosing:

- 5.1 No later than the morning of the expected occurrence of the above-mentioned events, OPF will reach out by email or other appropriate means to the Chief Financial Officers of the departments named in Section 8.0 below and to the following Division Directors, or their designee, to ask if there are any material developments: OMB, Taxation, Pensions and a person designated by the State Treasurer in the Office of the State Treasurer.
- 5.2 Timely responses will be required and appropriate records of the responses will be maintained by OPF.
- 5.3 If a material development is identified, OPF will raise it to the AG and Disclosure Counsel for initial review.
- 5.4 If necessary, material developments will be further raised to the Gateway Committee.
- 5.5 The AG will conduct its internal review to determine if there are any material changes to the “Litigation” section contained in the State Appendix.

6.0 INTERIM UPDATES

During the course of the year, and between intervals when no Obligations are being issued, it still is necessary to determine if there are any material changes in the information contained in the State Appendix which may warrant disclosure. For these “interim” updates, the following procedure should be followed:

- 6.1 The Chief Financial Officers of the departments named in Section 8.0 below and each Primary should alert his or her Division Director to the occurrence of significant events or the Division Director should alert the Primary.
- 6.2 These significant events should be reported to the Gateway Committee for review.
- 6.3 If necessary, matters can be raised to the Gateway Committee, which will determine whether the significant event requires a change to the State Appendix.
- 6.4 OPF will send an e-mail notice to the Primary of each Division and to the Chief Financial Officer of the departments named in Section 8.0 below on a monthly basis to ask them to raise potentially significant events of which they may have become aware, to the Gateway Committee. No specific response will be expected from any Primary or Chief Financial Officer unless an issue has arisen.

7.0 TRAINING

Annual training for the State Treasurer, senior Treasury staff, the Division Directors, the Primary in each Division, the senior managers in each Division and the Chief Financial Officers of the departments named in Section 8.0 below shall be conducted regarding disclosure obligations. It is intended that this training shall assist these staff members in identifying significant items which may need to be included in the State Appendix.

8.0 INCLUSION OF CABINET DEPARTMENTS

In addition to the Divisions within Treasury identified above, information from various Cabinet level departments may be relevant in the disclosure update process. These Cabinet departments include: Department of Education, Department of Environmental Protection, Department of Children and Families, Department of Health and Senior Services, Department of Human Services, Department of Transportation, Department of Banking and Insurance and Department of Community Affairs.

While many issues that relate to these Cabinet departments may eventually become known to OMB and the AG, particularly when an issue requires funding (OMB is involved) or an issue involves litigation (AG is involved), not all issues make their way to OMB and/or AG early in their evolution. The State Treasurer is a member of the Cabinet. Since the State Treasurer is ultimately responsible for certifying the accuracy and completeness of the State Appendix, the State Treasurer wishes to broaden the

disclosure process to identify pending issues as early as possible in their evolution. To accomplish this, the following procedure shall be followed.

- 8.1 The Chief Financial Officer of each of the above named departments shall be apprised of these procedures and shall be included in the annual training described in Section 7.0 above.
- 8.2 At the time of the regular updates to the State Appendix as set forth in Section 4.0 above, the periodic updates as set forth in Section 5.0 above, and the interim updates as set forth in Section 6.0 above, OPF will reach out to the Chief Financial Officers of the departments named above to determine if they have any matters which may need to be disclosed in the State Appendix.

9.0 GENERAL PRINCIPLES

- 9.1 Everyone involved in the disclosure process is responsible for raising potential disclosure items at all times in the process.
- 9.2 Everyone involved in the disclosure process should err on the side of raising issues to the next level of the review chain.
- 9.3 All participants in the process should raise any issue with the Gateway Committee at any time.
- 9.4 While care should be taken not to shortcut or eliminate any steps outlined in the Disclosure Policy on an ad hoc basis, the disclosure procedures are a “work in progress” and recommendations for improvement shall be solicited and regularly considered.
- 9.5 The process of revising and updating the State Appendix should not be viewed as a mechanical insertion of more current numbers. While it is not anticipated that there will be major changes in the form and content of the State Appendix at the time of each update, everyone involved in the process should consider the need for revisions in the form and content of the sections for which they are responsible at the time of each update.

A copy of this Disclosure Policy shall be distributed annually to all Division Directors, Primaries, the AG, Disclosure Counsel, and the Chief Financial Officers of the departments named in Section 8.0 above and any updates to this Disclosure Policy shall be distributed to such groups upon issuance.